

From Worse to Awful

The Academy T-Report: From Worse to Awful

Tuesday's [District 12](#) seemed at risk of being overly pessimistic on Putin. Now, clearly, it did not go far enough.

Working with Rachel Washburn to get additional views on the attacks and how the war may proceed from our Geopolitical Intelligence Group (GIG).

Please see below for a few initial comments from General (ret.) James "Spider" Marks, our Head of Geopolitical Strategy, based on what we know so far:

- Hitting targets of military, government, and communications importance will be a top priority to soften resistance.
- Cyberattacks will play a crucial role to not only disrupt the Ukrainian defenses, but to demoralize the population.
- Don't underestimate Ukraine's military - any full invasion should be met by fierce resistance, and there are early (but unconfirmed) reports of knocking out tanks and aircraft.

We will receive updates on how this will unfold, but the early take is that we will see the softening of the defenses, which may take days, followed by land and possibly amphibious attacks.

Additionally, please see below for a few thoughts on Putin's announcement:

- The video announcing the attacks looks like it may have been recorded after he spoke on Monday (same clothes, same room) indicating that this was planned by then.
- That video is disturbing on a few fronts:
 - We expected false flag events and even some plausible pretext, but concerns like the Nazification of Ukraine, building nuclear weapons, etc. were so unbelievable (possibly even to the Russian population) that Putin clearly just doesn't care any more about believability.
 - Putin has basically threatened that those who support Ukraine should expect serious consequences. Our initial interpretation is cyber risk aimed not only at Ukraine, but elsewhere. Nuclear is not an option despite Putin seemingly trying to imply this as a veiled threat.
- It now seems clear, in the West's calculations, that we finally need to account for "what's next" if we let Putin get away with this.

Two things that we don't know, but will get much more color on in the next few days:

- **Has Putin read Ukraine wrong?** He seems to believe that much of the country will roll over and welcome Russian forces.
- **Has Putin read Russia wrong?** Will Russians accept a full invasion, the casualties, and the cost of occupation? Russia is controlling the media, but is it possible that he is pushing his own people too far? But does it really matter in what is effectively a dictatorship?

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Of Interest:

- [Time Magazine](#) included some of our views on sanctions not working and the NY Times finally discussed crypto and sanctions, a subject that we have hit on repeatedly, including the [Geopolitical Implications of Bitcoin](#).
- The UN Security Council meeting last night was a farce of epic proportions.

From a markets standpoint:

- Commodity prices have to remain elevated for an extended period (and not just oil and natural gas). There is no way this goes back to "business as usual" with Russia in a short period of time.
- This is likely to cause new issues for global supply chains.
- **Markets have now priced in a significant global slowdown.** Any sort of resolution that stops the escalation will be positive, but so far, it is heading in the other direction.
- China has been "coy" at best, but they must be learning a lot about how the West deals with aggression, and sadly, it is likely giving them comfort at the moment.
- **Longer-term, this changes the entire narrative on energy!** The need to shift to sustainability will remain, even increase in terms of priority, but traditional energy sources need to be expanded, especially domestically!
- What does this do for monetary policy? Hiking rates because oil has gone up due to the Russian invasion doesn't seem to solve the problem of higher oil prices - **look for the Fed to start being a little cautious in their hawkishness.**

As awful as this currently is, and the fact that it is likely to escalate as we respond, I like risk assets at these levels.